



## DEPARTMENT OF HEALTH & HUMAN SERVICES

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ADMINISTRATION FOR CHILDREN AND FAMILIES

**Office of Head Start**

8th Floor Portal Building  
1250 Maryland Avenue, SW  
Washington, DC 20024

December 16, 2011

Rev. Charles L. Davis, Jr.  
New Hanover County Community Action, Inc.  
507 North Sixth Street  
Wilmington, NC 28402-0839

Re: 04CH2570

Dear Rev. Charles L. Davis, Jr.:

As you may know, the Improving Head Start for School Readiness Act of 2007 (P.L. 110-134) altered the funding process for Head Start and Early Head Start programs. Programs no longer automatically qualify for renewed funding unless they meet certain criteria. This letter is to inform you that New Hanover County Community Action, Inc. in Wilmington, NC, does not meet that criteria, and therefore, if New Hanover County Community Action, Inc. wishes to continue to receive Head Start or Early Head Start funding, it must submit an application and compete with other entities in its community for the funding.

This letter explains how this determination was made and provides you with initial information on how the competitive process will operate. Further information about the competition – including a funding opportunity announcement – will be available shortly.

### *The Designation Renewal System*

The Improving Head Start for School Readiness Act of 2007 requires the Department of Health and Human Services (HHS) to establish a system for determining which Head Start and Early Head Start Programs may be designated for renewal without having to compete with other entities in their community. Only those Head Start and Early Head Start agencies that are found under this system to be delivering high-quality and comprehensive Head Start and Early Head Start programs that meet the educational, health, nutritional, and social needs of the children and families they serve, and meet applicable program and financial management requirements and standards, may be designated for renewal and receive continued funding automatically, without having to compete. All other grantees must compete with other entities for renewed funding. Over the next three years, all Head Start grants are transitioning from indefinite grants to five-year, fixed term grants.

HHS established the Designation Renewal System through a final rule that became effective on December 9, 2011. The final rule specifies seven conditions that HHS will consider when determining whether a grantee is delivering a high-quality and comprehensive program and, thus, whether the grantee may be renewed without having to compete for continued funding. In particular, if a grantee is found to meet any of those seven conditions during the time periods specified in the rule, then that grantee will be required to compete for continued funding; currently, only five conditions are applicable. For more detailed information, see Section 641(c)(1) of the Head Start Act and the final rule, which is codified at 45 C.F.R. 1307, "Policies and Procedures for Designation Renewal of Head Start and Early Head Start Grantees," and was published in the *Federal Register* on November 9, 2011 (76 Fed. Reg. 70010).

*Basis of Determination for New Hanover County Community Action, Inc.*

New Hanover County Community Action, Inc. in Wilmington, NC, was determined to be ineligible for automatic renewal and designated for competition based on the following condition:

The agency has been determined by the responsible HHS official to have one or more deficiencies on a single review conducted under section 641A(c)(1)(A), (C), or (D) of the Act in the relevant time period covered by the responsible HHS officials review under section 1307.7. See 45 C.F.R. 1307.3(a)) (emphasis added).

Based on a review conducted from 2/22/2011 to 2/25/2011, HHS determined that New Hanover County Community Action, Inc. had one or more deficiencies. Specifically, New Hanover County Community Action, Inc. was found to be out of compliance with the following requirement(s):

PART 1305 - Eligibility, Recruitment, Selection, Enrollment And Attendance In Head Start

1305.3 Determining community strengths and needs.

(c) Each Early Head Start and Head Start grantee must conduct a Community Assessment within its service area once every three years. The Community Assessment must include the collection and analysis of the following information about the grantee's Early Head Start or Head Start area:

(2) Other child development and child care programs that are serving Head Start eligible children, including publicly funded State and local preschool programs, and the approximate number of Head Start eligible children served by each;

PART 1305 - Eligibility, Recruitment, Selection, Enrollment And Attendance In Head Start

1305.3 Determining community strengths and needs.

(c) Each Early Head Start and Head Start grantee must conduct a Community Assessment within its service area once every three years. The Community Assessment must include the collection and analysis of the following information about the grantee's Early Head Start or Head Start area:

(3) The estimated number of children with disabilities four years old or younger, including types of disabilities and relevant services and resources provided to these children by community agencies;

PART 1305 - Eligibility, Recruitment, Selection, Enrollment And Attendance In Head Start

1305.3 Determining community strengths and needs.

(c) Each Early Head Start and Head Start grantee must conduct a Community Assessment within its service area once every three years. The Community Assessment must include the collection and analysis of the following information about the grantee's Early Head Start or Head Start area:

(4) Data regarding the education, health, nutrition and social service needs of Head Start eligible children and their families;

PART 1305 - Eligibility, Recruitment, Selection, Enrollment And Attendance In Head Start

1305.3 Determining community strengths and needs.

(c) Each Early Head Start and Head Start grantee must conduct a Community Assessment within its service area once every three years. The Community Assessment must include the collection and analysis of the following information about the grantee's Early Head Start or Head Start area:

(5) The education, health, nutrition and social service needs of Head Start eligible children and their families as defined by families of Head Start eligible children and by institutions in the community that serve young children;

#### PART 1305 - Eligibility, Recruitment, Selection, Enrollment And Attendance In Head Start

##### 1305.3 Determining community strengths and needs.

(c) Each Early Head Start and Head Start grantee must conduct a Community Assessment within its service area once every three years. The Community Assessment must include the collection and analysis of the following information about the grantee's Early Head Start or Head Start area:

(6) Resources in the community that could be used to address the needs of Head Start eligible children and their families, including assessments of their availability and accessibility.

#### PART 1305 - Eligibility, Recruitment, Selection, Enrollment And Attendance In Head Start

##### 1305.3 Determining community strengths and needs.

(e) In each of the two years following completion of the Community Assessment the grantee must conduct a review to determine whether there have been significant changes in the information described in paragraph (b) of this section. If so, the Community Assessment must be updated and

the decisions described in paragraph (c) of this section must be reconsidered.

#### Head Start Act

Sec. 644. [42 U.S.C. 9839]

(a) (2) Each Head Start agency shall make available to the public a report published at least once in each fiscal year that discloses the following information from the most recently concluded fiscal year, except that reporting such information shall not reveal personally identifiable information about an individual child or parent:

(B) An explanation of budgetary expenditures and proposed budget for the fiscal year.

#### Head Start Act

Sec. 644. [42 U.S.C. 9839]

(a) (2) Each Head Start agency shall make available to the public a report published at least once in each fiscal year that discloses the following information from the most recently concluded fiscal year, except that reporting such information shall not reveal personally identifiable information about an individual child or parent:

(D) The results of the most recent review by the Secretary and the financial audit.

#### Head Start Act

Sec. 644. [42 U.S.C. 9839]

(a) (2) Each Head Start agency shall make available to the public a report published at least once in each fiscal year that discloses the following information from the most recently concluded fiscal year, except that reporting such information shall not reveal personally identifiable information about an individual child or parent:

(F) Information about parent involvement activities.

Head Start Act

Sec. 644. [42 U.S.C. 9839]

(a) (2) Each Head Start agency shall make available to the public a report published at least once in each fiscal year that discloses the following information from the most recently concluded fiscal year, except that reporting such information shall not reveal personally identifiable information about an individual child or parent:

(G) The agency's efforts to prepare children for kindergarten.

Head Start Act

Sec. 640. Allotment of Funds; Limitations on Assistance

(d) (1) The Secretary shall establish policies and procedures to assure that, for fiscal year 2009 and thereafter, not less than 10 percent of the total number of children actually enrolled by each Head Start agency and each delegate agency will be children with disabilities who are determined to be eligible for special education and related services, or early intervention services, as appropriate, as determined under the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.), by the State or local agency providing services under section 619 or part C of the Individuals with Disabilities Education Act (20 U.S.C. 1419, 1431 et seq.).

#### PART 74 - Financial And Program Management

##### 74.21 Standards for financial management systems.

(b) Recipients' financial management systems shall provide for the following:

(1) Accurate, current and complete disclosure of the financial results of each HHS-sponsored project or program in accordance with the reporting requirements set forth in Sec. 74.52. If the HHS awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient shall not be required to establish an accrual accounting system. These recipients may develop such accrual data for their reports on the basis of an analysis of the documentation on hand.

HHS determined that New Hanover County Community Action, Inc. did not meet the above requirement(s) and informed New Hanover County Community Action, Inc. of deficiency finding(s) on 8/16/2011. If you would like a copy of that letter, please contact your Program Specialist.

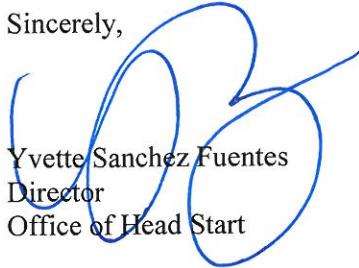
#### *Competitive Process*

As noted, New Hanover County Community Action, Inc. has been designated to compete for renewed funding. This is not a grant termination or suspension notice, but rather a notice that, should it wish to continue to receive Head Start funds, New Hanover County Community Action, Inc. must submit an application pursuant to a funding opportunity announcement that will be published in early 2012. Other entities in the grantee's community will have the opportunity to submit applications as well. As stated

under the final rule, funds will be awarded to the organization “that demonstrates that it is the most qualified entity to deliver a high-quality and comprehensive Head Start or Early Head Start program.”  
*See* 45 C.F.R. 1307.5.

The funding opportunity announcement will describe the application procedures in detail as well as the criteria that will be used to evaluate applications. If you have any questions about the competitive process or the designation determination, please direct all questions to the Office of Head Start at (202) 205-8573 or [DRS@headstartinfo.org](mailto:DRS@headstartinfo.org).

Sincerely,



Yvette Sanchez Fuentes  
Director  
Office of Head Start

CC: Mrs. Cynthia J. Brown